

**FORM OF
TRANSMISSION MANAGEMENT AGREEMENT
FOR
TRANSCONNECT LLC**

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FOR
TRANSCONNECT LLC**

This TRANSMISSION MANAGEMENT AGREEMENT (this “Transmission Management Agreement” or this “Agreement”), made and entered into as of this ____ day of _____, 2001, by TransConnect LLC (the “Company”) and _____, (the “Executing Transmission Owner”). The Executing Transmission Owner is hereinafter referred to individually as a “Participant”, and together with other Participants under similar forms of this Agreement as the “Participants”. The Participant and the Company are also hereinafter referred as each a “Party” or the “Parties” to this Agreement.

RECITALS

WHEREAS, the Participant is a transmission-owning utility that has not divested or has not fully divested Transmission Assets to the Company;

WHEREAS, each Participant desires to give the Company Functional Control over its Transmission Assets pursuant to the terms set forth herein; and

WHEREAS, the Company will be formed under the laws of the State of Delaware, for the purpose of operating, maintaining and managing the Transmission Assets over which it has Functional Control;

NOW THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements contained herein, the Parties agree as follows:

**ARTICLE 1
Definitions; Effective Date**

1.1 *Definitions.* The following capitalized terms used in this Agreement shall have the meanings set forth below:

“Affiliate” means an affiliate, as defined by the FERC in its Order No. 2000.

“Agency” or “Agencies of the United States” means a Public Power Participant that is a division or agency of a federal or state governmental authority including federal power marketing administrations.

“Agreement” means the Transmission Management Agreement.

“Alternative Dispute Resolution” or “ADR” means the process for resolving disputes set forth in Schedule C.

"Book Tax Value", with respect to any asset owned by or contributed or sold to the Company, means:

- (i) the initial Book Tax Value of any Transmission Asset contributed or sold to the Company (x) on or prior to the Initial Divestiture Date, and (y) by a Person that became a Participant on or prior to the Initial Participant Date shall equal the Net Book Value of such Transmission Asset; and, the initial Book Tax Value of any Transmission Asset contributed or sold to the Company (x) on a date after the Initial Divestiture Date or (y) by a Person that becomes a Participant after the Initial Participant Date shall equal the fair market value of such Transmission Asset, as agreed to by such Participant and the Managing Member (which fair market value may be either greater or less than Net Book Value);
- (ii) the initial Book Tax Value of any asset acquired (other than by means of a contribution or sale by a Participant) or created by the Company shall equal the adjusted tax basis of such asset for U.S. Federal income tax purposes;
- (iii) the Book Tax Values of all Company assets (including intangible assets such as goodwill) shall be adjusted by the Tax Matters Partner to equal their respective fair market values as of the following times (each a "Revaluation Event"):
 - (a) the contribution or sale of any additional Transmission Assets by a new or existing Participant in exchange for LLC Interests or as credit for an advance under a Convertible Note;
 - (b) the distribution by the Company to a Member of money or Company property as consideration for an LLC Interest in the Company; and
 - (c) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(iv)(f)(5)(ii);

provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the Tax Matters Partner reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

- (iv) the Book Tax Values of all Company assets (including intangible assets such as goodwill) shall be adjusted to reflect any adjustments to the adjusted basis of such assets pursuant to Code sections 734(b) or 743(b), but only to the extent that such adjustments are required to be taken into account in determining Capital Accounts pursuant to Regulations section 1.704-1(b)(2)(iv)(m); provided, however, that Book Tax Values shall not be adjusted pursuant to this subsection (iv) to the extent that the Tax Matters Partner determines that an adjustment pursuant to subsection (iii)

is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subsection (iv); and

- (v) if the Book Tax Value of an asset has been determined or adjusted pursuant to subsection (i), (ii), (iii) or (iv) above, such Book Tax Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses and other items allocated pursuant to Article 5 of the LLC Agreement.

The foregoing definition of Book Tax Value is intended to comply with the provisions of Regulations section 1.704-1(b)(2)(iv) and shall be interpreted and applied consistently therewith.

“Business Day” means any day (other than a day which is a Saturday, Sunday or federal holiday in the United States).

“Capital Account” means, for each Member, the capital account maintained by the Company for such Member as described in Section 4.1 of the LLC Agreement.

“Capital Contribution” means the amount of cash and the initial Book Tax Value (as determined in clause (i) of the definition thereof) of any Transmission Assets, in each case contributed by a Member to the Company and credited to such Member's Capital Account in accordance with Articles 3 and 4 of the LLC Agreement.

“Code” means the Internal Revenue Code of 1986, as amended from time to time or any successor statute. A reference to the Code shall be deemed to include any mandatory or successor provisions thereto.

“Company Documents” means agreements other than this Transmission Management Agreement submitted for filing with FERC by the Company including the LLC Agreement, the Management Agreement between the Company and TransConnect Corporate Manager, Inc., and the Member and Stockholder Agreement.

“Company-Owned Asset” has the meaning provided in Section 3.6 hereto.

“Company-Owned Improvement Budget” has the meaning provided in Section 3.6 hereto.

“Conditions Precedent” has the meaning provided in Section 2.5 hereto.

“Convertible Note” means the convertible note issued to a Debt Holder.

“Cooperative Public Power Participant” means any participating electric transmission cooperative or membership corporation that has loans financed or guaranteed by the Rural Utilities Service.

“Debt Holders” means those Public Power Participant that have made advances to the Company under a Convertible Note.

“Effective Date” means the date on which this Transmission Management Agreement becomes effective as set forth in Section 1.3 hereto.

“Encumbrances” means those obligations or duties consented to by a Participant that would materially impede or reduce the ability of the Participant to fulfill its obligations and duties under the Transmission Management Agreement.

“Excluded Assets” means the Transmission Assets that are excluded as set forth in Section 2.2 hereto.

“Executing Transmission Owner” means any investor-owned utility, independent transmission company, municipality, public utility district, people’s utility district, cooperative corporation, joint powers agency, federal power agency, irrigation district, joint powers authority that includes one or more of such agencies, tribal utility, or other entity that furnishes electric services over an electric transmission or distribution system (whether its own or its members’) that has transferred Functional Control of its Transmission Assets to the Company.

“FERC” means the Federal Energy Regulatory Commission, or any successor entity thereto.

“Functional Control” means: (i) administration and control over the operations, maintenance and planning control of the Transmission Assets consistent with the provisions of this Agreement; and (ii) any additional administration and control of the Participant’s Transmission Assets, as necessary for the Company to meet its obligations with respect to the Participant’s Transmission Assets under the requirements of the applicable RTO Agreements and RTO Tariff.

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods or acts to the exclusion of all others but rather to be acceptable practices, methods or acts generally accepted in the region.

“Independent Transmission Company” or “ITC” means an ITC as defined by Order No. 2000.

“Initial Divestiture Date” means the date two years from the date hereof or such later date as may be determined by the Managing Member.

“Initial Participant Date” means the date six months from the date hereof or such later date as may be determined by the Managing Member.

“Innovative Rate Treatments” means the proposed pricing incentives as defined by Order No. 2000.

"Investment Percentage" with respect to each Member or Debt Holder, shall be equal to the ratio of such Member's Capital Contributions or Debt Holder's aggregate advances under its Convertible Note, as the case may be, over the sum of (a) aggregate Capital Contributions of all Members and (b) aggregate advances under Convertible Notes of all Debt Holders, and shall be reflected on Schedule B of the LLC Agreement, which shall be revised from time to time in accordance with the LLC Agreement.

"LLC Agreement" means the Limited Liability Company Operating Agreement for TransConnect LLC, as may be amended from time to time.

"LLC Interests" has the meaning provided in Section 3.1 of the LLC Agreement.

"Managing Member" means TransConnect Corporate Manager, Inc., a Delaware Corporation.

"Member" means each Person who may be admitted from time to time as a member of the Company.

"Municipal Tax-Exempt Participant" means a city, county, irrigation district, drainage district, or a political subdivision or agency of a State that is in the business of developing, transmitting or distributing power on whose behalf Tax-Exempt Debt has been or will be issued.

"Net Book Value" of the Transmission Assets of a Participant or prospective Participant means (i) for those Participants (or prospective Participants) who maintain their financial books and records in accordance with the FERC's Uniform System of Accounts, the net book value of such asset as determined pursuant to the FERC's Uniform System of Accounts, and (ii) for those Participants (or prospective Participants) who do not maintain their financial books and records in accordance with the FERC's Uniform System of Accounts, the best reasonable estimate of the original cost of such asset, net of depreciation, as determined in accordance with the FERC's Uniform System of Accounts.

"Operations Date" means the date on which the Company commences operations.

"Order No. 2000" means Order No. 2000 and all supplements and amendments thereto issued by the FERC.

"Participant" means any Person that grants Functional Control over its Transmission Assets to the Company pursuant to the Transmission Management Agreement.

"Participant Service Territory Improvements" has the meaning provided in Section 3.7 hereto.

"Participant Service Territory Improvements Budget" has the meaning provided in Section 3.7 hereto.

"Party" or "Parties" has the meaning set forth in the introductory paragraph hereto.

"Percentage Interest" means with respect to any Member, as of any date, the ratio (expressed as a percentage) of such Member's Capital Account on such date to the aggregate Capital Accounts of all Members on such date, such Capital Accounts to be determined after giving effect to all contributions, distributions and allocations for all periods ending on or prior to such date, which ratio shall be set forth on Schedule B to the LLC Agreement following any such determination.

"Performance-Based Rates" means performance based regulation as defined by Order No. 2000.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint-stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority or any department or agency thereof.

"Pre-existing Transmission Agreements" means those agreements for transmission service in effect immediately prior to the Operations Date of the Company.

"Public Power Participant" means each Participant that, in the opinion of counsel to said Person, is not permitted by its corporate charter or applicable or legal or binding requirements to hold equity in for-profit entity. Such entities may include, but are not limited to, Municipal Tax –Exempt Public Power Participants, Cooperative Public Power Participants, and Agencies of the United States.

"RTO" means a Regional Transmission Organization as defined by Order No. 2000.

"RTO Agreements" means those agreements entered into by a transmission owner and an RTO, as accepted for filing or approved by the FERC.

"RTO Tariff" means the tariff for the provision of transmission services, including ancillary services, as accepted for filing or approved by the FERC.

"Rural Utility Service" or "RUS" means the agency of the US Department of Agriculture which acts as guarantor or finances loans to cooperatives.

"Service Territory" means, with respect to the Participant, such territory as set forth in Schedule A, and with respect to each other Participant, such territory as set forth in Schedule A to each of their respective Transmission Management Agreement.

"Service Territory Participant" has the meaning provided in Section 3.7 hereto.

"Transfer" means any sale, assignment, gift, hypothecation, pledge, encumbrance, alienation, mortgage or other disposition, whether voluntary or by operation of law (other than a transfer which may arise by reason of death or incapacity). A Transfer shall not include the reduction of a Member's Percentage Interest as a result of another Person making a Capital Contribution upon becoming a Member or Members making any Capital Contributions other

than on a pro rata basis to all Members' Percentage Interests or the conversion of an LLC Interest or any portion thereof.

"Transmission Assets" has the meaning set forth in Section 2.1 hereto.

"Transmission Business Contract" means those contracts entered into by a Participant in the course of its ownership and operation of its Transmission Assets.

"Transmission Business Permit" means those permits obtained from a local, state or federal governmental authority or any department or agency thereof in the course of a Participant's ownership and operation of its Transmission Assets.

"Transmission Management Agreements" means, collectively, the transmission management agreements entered into by the Company and each Participant that has granted Functional Control, but not divested or fully divested, its Transmission Assets to the Company, including this Agreement.

"Uncontrollable Force" means any act of God, labor, disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, earthquake, explosion, accident or to breakage, failure or malfunction of machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities (other than (i) the Company or (ii) the Participant, if the Participant is a federal marketing administration, municipal corporation or other federal, tribal or state governmental entity or subdivision thereof), or any other cause beyond a Party's reasonable control and to the extent without such Party's fault or negligence. Economic hardship shall not constitute an Uncontrollable Force under this Agreement.

"Working Capital" means the working capital requirements of the Company as determined by the Managing Member for costs and expenses incurred by the Company, including in connection with the formation, development, operation and implementation of the Company and its management and/or ownership of Transmission Assets owned by the Company or over which it exercises Functional Control, but not the costs and expenses of any individual Participant.

1.2 FERC Jurisdiction. If the Participant is not regulated by FERC, it shall not become subject to FERC regulation by virtue of its becoming a signatory to this Agreement.

1.3 Effective Date. This Transmission Management Agreement shall become effective as to the Participant, and the Company as of the later of:

(i) The date that this Agreement is executed and delivered by the Company and the Participant;

(ii) The date on which the Participant and the Company have obtained all required regulatory actions and approvals, provided that all required regulatory approvals shall have been obtained and be in full force and effect and such required regulatory approvals shall not be subject to the satisfaction of any conditions or conditions that, if accepted, would in the aggregate in the reasonable judgment of the Participant have a material adverse effect on the

Participant. The Participant shall notify the Company no later than thirty (30) days of the date of such required regulatory approvals whether any such material adverse effect exists and the nature of such material adverse effect. The Parties will make all reasonable efforts to resolve or cure the material adverse effect; provided, however, that if such material adverse effect cannot be cured within ninety (90) days, or if the regulatory action or approval is final and non-appealable, the Participant will comply with the Withdrawal and Termination provisions set forth in Section 6.2 below. If no material adverse effect is found to affect the performance obligations of the Participant, this Transmission Management Agreement will become effective under Section 1.3;

(iii) The date on which the Participant has completed any requisite public notice; and

(iv) The date that, if applicable, Conditions Precedent contained in Section 2.5 have been satisfied.

ARTICLE 2

Transfer of Control

2.1 *Transmission Assets.* Except for the Excluded Assets set forth in Section 2.2, the Participant shall transfer the following assets to the Company:

(a) The "Transmission Assets" of the Participant subject to regulation by FERC shall consist primarily of all right, title and interest of such Participant in and to the assets the cost of which is required to be included in Accounts 350 to 359 (inclusive, except for Generator Step Ups in Account 353) under the FERC Uniform System of Accounts; and

(b) The "Transmission Assets" of the Participant not subject to regulation by FERC shall consist of all right, title and interest of such in and to the assets the cost of which would have been included in Accounts 350 to 359 (inclusive, except for Generator Step Ups in Account 353) under the FERC Uniform System of Accounts had such Participant been subject to regulation by FERC; provided, however, the Transmission Assets shall consist only of those assets owned by, leased by, or under the control of the Participant and or electrically interconnected therewith, that are necessary for the Company to exercise Functional Control over such Participant's transmission of electricity from, but not including, (i) in the case of generating facilities owned by the Participant, the higher voltage bus of the generation step-up transformers that increase voltage to transmission levels, or (ii) in the case of generating facilities owned by others, the point of interconnection in the switchyard to, and including, (iii) the higher voltage bus of the transmission/distribution stepdown transformers that reduce voltage from transmission levels, or (iv) in stations with high-side breaker, the disconnect before the breaker; and

(c) Any Transmission Assets acquired by the Participant after the date of executing this Transmission Management Agreement, if such Transmission Asset falls within the category of assets set forth in Section 2.1(a) or Section 2.1(b).

2.2 *Excluded Assets.* The Excluded Assets of the Participant shall consist of any assets that are not Transmission Assets of the Participant, or specifically excluded because inclusion of the specific asset would have a material adverse effect on the Participant and the Company, or the Participant and the Company otherwise agree that such asset should be

excluded as provided in Section 2.1(a) or 2.1(b). "Excluded Assets" shall include, without limitation, the following assets of such Participant:

- (a) All cash, cash equivalents, bank deposits, accounts receivable, and any income, sales, payroll, property or other Tax receivables;
- (b) Certificates of deposit, shares of stock, securities, bonds, debentures, and evidences of indebtedness;
- (c) Any rights or interest in the trade names, trademarks, service marks, patents, copyrights or logos;
- (d) Any refund or credit (i) related to Taxes paid prior to the beginning of the term of this Agreement in respect of the Transmission Assets of the Participant, whether such refund is received as a payment or as a credit against future Taxes payable, (ii) arising under any contracts or tariffs of the Participant that are subject to cost of service regulation and relating to services provided prior to the beginning of the term of this Agreement, or (iii) arising under any contract or tariff that provides for rates that are subject to regulation by an agency other than FERC;
- (e) Any assets, property rights, licenses or permits that are used in the distribution, generation, trading or marketing of electricity, or in telecommunications (including fiber optic cable and other telecommunication equipment attached or contained within Transmission Assets), gas transportation, gas, water, petroleum, chemical, real estate development, cable business or any other business other than the transmission business; and
- (f) All causes of action and claims arising from any Transmission Assets, including (i) all rights of the Participant in and to any causes of action against third parties relating to any of the Transmission Assets of such Participant, including any claims for refunds, prepayments, offsets, recoupment, insurance proceeds, condemnation awards and the like relating specifically to the Transmission Assets of the Participant and relating to any period during the term of this Agreement; and (ii) all unexpired, transferable warranties and guarantees received by the Participant from manufacturers, vendors, contractors or third parties with respect to any of its Transmission Assets.

2.3 Transfer of Functional Control of Transmission Assets.

(a) Subject to any Conditions Precedent, the Participant hereby authorizes the Company to exercise Functional Control over the Transmission Assets, and the Company shall assume and begin exercising Functional Control over the Participant's Transmission Assets, except for Excluded Assets, which are identified in Schedule A to this Agreement. The Company may subsequently transfer or assign Functional Control over the Participant's Transmission Assets to an applicable RTO.

(b) If use of any Excluded Assets is necessary for the Company to exercise Functional Control of the Participant's Transmission Assets, the Participant owning the Excluded Asset shall permit the Company to use the Excluded Asset, if found not to have

material adverse effect on the Participant, only to the extent required for the Company to exercise such Functional Control.

(c) The Company shall have no obligation or duties related to assets over which Functional Control is not transferred to the Company.

2.4 Rates and Distribution of Revenues.

(a) Rate Filings By the Company. The Company may unilaterally file at the FERC pursuant to Section 205 of the Federal Power Act such rates or revenue requirement for transmission service as the Company deems appropriate; provided, however, that the rates or revenue requirements filed by the Company must permit, (i) at a minimum, the full recovery of the then-effective annual transmission revenue requirement of each Participant, plus (ii) coverage of the Company's cost of performing its duties under this Agreement, including any services provided under Schedule B.

(b) Rate Filings By Participants. Each Participant shall have the right at any time to make a unilateral filing at FERC, to establish the annual transmission revenue requirement payable to the Participant by the Company.

(c) Collection And Distribution Of Revenues. The Company shall collect, on behalf of the Participant, the Participant's revenue requirement approved, accepted, or otherwise made effective by the FERC, and any other amounts approved, accepted, or otherwise made effective by the FERC that are collected through the Company rate schedules. The Company shall distribute to the Participant an amount equal to its effective revenue requirement. The Company shall bear any undercollection of the Participant's revenue requirement and shall retain any overcollection of the Participant's revenue requirement.

To the extent that FERC determines that a portion of the revenue requirements of a Participant, including a Participant that is not a public utility under the FPA, collected by the Company must be refunded, the Participant shall refund any such amounts, including any interest calculated in accordance with FERC's order, to the Company no later than three days prior to the date refunds are due to be paid by the Company. If the Participant does not make such payments within the specified time-frame, the Company may withhold monthly payments to the Participant of the Participant's revenue requirement.

(d) Filing of Performance-Based Rates or Innovative Rate Treatments. The Participant may contract with the Company to allow the Company to perform certain duties and responsibilities with respect to its transferred Transmission Assets, including, but not limited to, duties and responsibilities associated with Operation and Maintenance or Administrative and General activities. The Company and the Participant will enter into a separate agreement as set forth in Schedule B to this Transmission Management Agreement which shall specify the terms and conditions of the allocation of duties and responsibilities to be performed by the Company with respect to such duties and responsibilities.

2.5 Conditions Precedent for Public Power Participants.

(a) Additional Condition Precedent for Municipal Tax-Exempt Public Power Participant. In the event the Participant is a Municipal Tax-Exempt Public Power Participant, and notwithstanding any other provision to the contrary herein, this Agreement shall not become effective, and the Municipal Tax-Exempt Public Power Participant shall not become a Participant pursuant to this Agreement, until the Participant's bond counsel renders an opinion, generally of the type regarded as "unqualified" in the bond market or obtains a private letter ruling from the Internal Revenue Service, that participation in the Company in accordance with this Agreement (or any other applicable Company Documents) will not adversely affect the tax-exempt status of any Municipal Tax-Exempt Debt issued by, or for the benefit of, the Municipal Tax-Exempt Public Power Participant and have delivered such opinion or private letter ruling to the Company. A Municipal Tax-Exempt Public Power Participant shall promptly seek, in good faith, to obtain such an unqualified opinion from its bond counsel or a private letter ruling from the Internal Revenue Service at the earliest opportunity. If the Municipal Tax-Exempt Public Power Participant is unable to provide to the Company such an unqualified opinion or private letter ruling within one year of the execution of this Agreement, then without further act, deed or notice, this Agreement shall be deemed to be voidable *ab initio* upon written notice from either the Municipal Tax-Exempt Public Power Participant to the Company or from the Company to the Municipal Tax-Exempt Public Power Participant.

(b) Additional Condition Precedent for Cooperative Public Power Participant. In the event that the Participant is a Cooperative Public Power Participant, and notwithstanding any other provision to the contrary herein, this Agreement shall not become effective until receipt of the approval by the Rural Utilities Service of this Agreement (or any other applicable Company Documents), as required by such Cooperative Public Power Participant's credit or guarantee agreements with the Rural Utilities Service. Should the Rural Utilities Service not approve of this Agreement (or any other applicable Company Documents), or any action set forth therein or herein for which such approval is required, or should the RUS require material changes or modifications hereto that are unacceptable to either the Company or the Cooperative Public Power Participant, this Agreement (and any other applicable Company Documents) or such action set forth therein or herein shall be deemed to be voidable *ab initio* upon written notice from such Cooperative Public Power Participant to the Company or from the Company to the Cooperative Public Power Participant within thirty (30) days after the first anniversary of the execution of this Agreement. In the event that a material change or modification is requested, the Parties shall negotiate in good faith to modify, within thirty (30) days of receipt of the written notice of such a request, and obtain approval of this Agreement (or any other applicable Company Documents) and make any amendment which may be necessary to make this Agreement effective. If the modification period falls within the thirty (30) day period after the anniversary of the execution of this Agreement, the termination of this Agreement will be held in abeyance until ninety (90) days after the first anniversary of the execution of this Agreement.

(c) Additional Condition Precedent for Agencies of the United States. Nothing contained in this Agreement (or any other applicable Company Documents) shall require an Agency to violate the Constitution of the United States, or any federal or state statute, a previously issued administrative order, regulation, or tribal law, or to otherwise unlawfully

delegate or exceed its authority. However, the Agency will make all reasonable efforts to seek exemptions or waivers, if such exemptions or waivers are available, from the appropriate local, state or federal regulatory governmental authority or any department or agency thereof, to fully comply with the terms and conditions of this Agreement. To the extent the Agency is unable to obtain such an exemption or waiver, the Agency shall immediately notify the Company in writing and this Agreement shall be deemed to be voidable *ab initio* upon written notice from either the Agency to the Company or from the Company to the Agency. For the purposes of this Section 2.5(c), an administrative order or regulation shall not include an administrative order or regulation promulgated by the Agency that is a signatory to this Agreement.

Where activities provided for in this Agreement extend beyond the current fiscal year and continued expenditures by the Agency that is a federal agency or political subdivision of a state are, because of federal or state statute or municipal charter, contingent upon the appropriation of funds necessary for the continued performance of the Agency's obligations under this Agreement, the Company will release the Agency from contractual performance upon verification by the Company that such funds are, in fact, unavailable to the Agency.

ARTICLE 3

Capital Contributions; Convertible Notes; Advances Under Convertible Notes

3.1 Election to Make Capital Contributions or Convert Convertible Notes.

The Participant may elect to make a Capital Contribution pursuant to Article 3 or convert its Convertible Note, if applicable, to LLC Interests in accordance with the terms of the LLC Agreement.

3.2 Membership Requirements under the LLC Agreement. The Participant may elect to become a "Member" under the LLC Agreement by (a) becoming a party to the LLC Agreement by executing, delivering, adopting and acknowledging the LLC Agreement; and (b) making a Capital Contribution pursuant to Article 3.

3.3 Capital Contributions and Advances Under Convertible Notes.

(a) Each Participant that is a Member or prospective Member may make, but shall not be required to make (other than to initially become a Member pursuant to Section 3.2(b)), Capital Contributions to the Company, and upon compliance with any requirements to become a Member, if not one already, receive credit to its respective Capital Account by: (i) contributing its Transmission Assets to the Company pursuant to the provisions of Section 3.4 or; (ii) making cash contributions to the Company for Working Capital pursuant to the provisions of Section 3.5 or; (iii) making cash contributions to the Company for improvements or additions to the Company-Owned Assets pursuant to the provision to the provisions of Section 3.6; or (iv) making cash contributions to the Company for Participant Service Territory Improvements pursuant to the provisions of Section 3.7; or (v) making other cash contributions to the Company that are acceptable to the Managing Member pursuant to Section 3.8(a).

(b) The Company shall allow, but shall not require, the Participant, if a Public Power Participant, to make advances to the Company, from time to time, under a

Convertible Note and become a Debt Holder by: (i) transferring its Transmission Assets to the Company pursuant to the provisions of Section 3.4; (ii) making cash advances for Working Capital to the Company under a Convertible Note pursuant to the provisions of Section 3.5; (iii) making cash advances to the Company under a Convertible Note for improvements to or additions to the Company-Owned Assets pursuant to the provisions for improvements to or additions to the Company-Owned Assets pursuant to the provisions of Section 3.6; (iv) making cash advances to the Company under a Convertible Note for improvements to or additions to Participant Service Territory Improvements pursuant to the provisions of Section 3.7 or; (v) making other cash advances to the Company under a Convertible Note that are acceptable to the Managing Member pursuant to Section 3.8(b). For the avoidance of doubt, no advance under a Convertible Note shall constitute a Capital Contribution or imply that the Public Power Participant is, or require the Public Power Participant to become, a Member under the LLC Agreement.

(c) Following the acceptance by the Managing Member of Capital Contributions from any Participant that is a Member or prospective Member, such Participant, following compliance with any other requirements to becoming a Member, shall receive LLC Interests in the Company in exchange for its Capital Contributions and the Company shall recalculate the Percentage Interests of each Member and the Investment Percentages of each Member and Debt Holder and update and revise Schedule B of the LLC Agreement. Following the acceptance by the Managing Member of any advance under a Convertible Note by a Public Power Participant, the Company shall recalculate the Investment Percentages of each Member and Debt holder and update and revise Schedule B of the LLC Agreement.

3.4 Contributions and Transfers of Legal Title to Transmission Assets.

(a) Prior to the Initial Divestiture Date, the Company shall be required to accept contributions from Members or prospective Members or make purchases of Transmission Assets from Public Power Participants in exchange for the consideration set forth in Section 3.4(b), in each case on reasonable commercial terms acceptable to the Managing Member; provided, that in each case such contributing or selling Participant became a Participant prior to the Initial Participant Date. The Company may, in the sole discretion of the Managing Member, accept contributions of Transmission Assets from the Participant, if eligible to become a Member, or purchase Transmission Assets from the Participant, if a Public Power Participant, after the Initial Divestiture Date or from Persons that became Participants after the Initial Participant Date in exchange for the consideration set forth in Section 3.4(b) in each case on reasonable commercial terms acceptable to the Managing Member. The provisions of this Section 3.4 shall not in any way be deemed to prevent the Company from agreeing to acquire Transmission Assets from any Person, including the Participant, on terms and for consideration different than the terms and conditions provided in this Section 3.4.

(b) Immediately following the contribution or purchase of Transmission Assets from the Participant, the Participant, if it is a Member or eligible to become a Member, shall receive a credit to its Capital Account equal to the applicable initial Book Tax Value (as determined in clause (i) of the definition thereof) of such Transmission Assets, or in the case it is a Debt Holder or other Public Power Participant, shall be deemed to have made an advance under a Convertible Note equal to the applicable initial Book Tax Value (as determined

in clause (i) of the definition thereof) of such Transmission Assets and the Company shall issue such Convertible Note or annotate a Convertible Note held by such Debt Holder for such amount.

3.5 Contributions and Advances for Working Capital.

(a) The Company shall from time to time request the Participants to provide funds for the Working Capital needs of the Company pursuant to this Section 3.5(a). Pursuant to the terms of this Section 3.5(a), the Company shall prepare a budget for each such request (each such budget being, a "Working Capital Budget") and shall request that each Participant fund such Working Capital Budget in proportion to its Asset Value Percentage. Participants shall be required to respond to each such Working Capital request within thirty (30) days of issuance by the Company of such request. Any Participant failing to respond to such a request within thirty (30) days shall be deemed to have declined to fund its portion of such Working Capital Budget. In the event that a Participant declines or is deemed to have declined to fund its portion of a Working Capital Budget, each other Participant shall have the right to fund, in proportion to the ratio of its Asset Value Percentage to the aggregate Asset Value Percentages of all Participants who desire to fund, such portion of the Working Capital Budget. If a Working Capital Budget is still not fully funded, notwithstanding the preceding sentence, the Managing Member may obtain equity or debt financing from third parties, including without limitation through debt offerings by the Company or equity or debt offerings by the Managing Member.

(b) In the event that the Effective Date is on a date prior to the Initial Participant Date, but after any requests to fund a Working Capital Budget have been made, the Participant shall be requested to fund an amount equal to its Asset Value Percentage of all the Working Capital Budgets requested to be funded prior to such date. If the Participant fails to respond to such a request within thirty (30) days, the Participant shall be deemed to have declined such request.

(c) Each Member or Participant eligible to become a Member shall receive credit to its Capital Account for any funds provided by it to the Company pursuant to Section 3.5 of the LLC Agreement. Each Debt Holder or other Public Power Participant shall be deemed to have made an advance under a Convertible Note in an amount equal to the funds provided by it to the Company pursuant to this Section 3.5.

3.6 Contributions and Advances for Improvement and Additions to Company-Owned Assets. The Company shall from time to time request the Members and Debt Holders to provide funds to the Company to pay for costs incurred or to be incurred by the Company with respect to improvements and additions to be made to the Transmission Assets owned by the Company ("Company-Owned Assets"). The Company shall prepare a budget for each such request (each such budget being, a "Company-Owned Improvement Budget") and shall request that each Member and Debt Holder fund such Company-Owned Improvement Budget in proportion to its Investment Percentage. Each Member and Debt Holder shall be requested to respond to each such Company-Owned Improvement request within thirty (30) days of issuance by the Company of such request. Any Member or Debt Holder failing to respond within thirty (30) days to any such request shall be deemed to have declined to fund its portion of such

Company-Owned Improvement Budget. In the event that a member or Debt Holder declines or is deemed to have declined to fund its portion of a Company-Owned Budget, each other Member and Debt Holder shall have a right to fund, in proportion to the ratio of its Investment Percentage to the aggregate Investment Percentages of all Members and Debt Holder who desire to fund, such portion of the Company-Owned Improvement Budget. If a Company-Owned Improvement Budget is still not fully funded, notwithstanding the preceding sentence, the Managing Member may obtain equity or debt financing from third parties, including without limitation through debt offerings by the Company or equity or debt offerings by the Managing Member. Each Member or Person to become a Member shall receive a credit to its Capital Account for any funds provided by it to the Company pursuant to this Section 3.6. Each Debt Holder shall be deemed to have made an advance under its Convertible Note in an amount equal to the funds provided by it to the Company pursuant to this Section 3.6.

3.7 Contributions and Advances for Improvements and Additions in the Service Territory of a Non-Divesting Participant. The Company may determine, from time to time, that it is in the best interest of the Company and the Transmission Assets that it owns or over which it has Functional Control that certain improvements or additions be made to Transmission Assets within the Service Territory of a Participant that has not transferred ownership of its Transmission Assets to the Company (such improvements in each case being, "Participant Service Territory Improvements" and such Participant in each case being, the "Service Territory Participant"). Pursuant to the terms of this Section 3.7, the Company shall first request that such Service Territory Participant construct, make or pay for such Participant Service Territory Improvements. Such Service Territory Participant shall be requested to respond to such request within thirty (30) days of its issuance by the Company. If such Service Territory Participant constructs, makes or pays for such Participant Service Territory Improvements, then such Service Territory Participant shall own such Participant Service Territory Improvements, and such Service Territory Participant hereby agrees that it shall grant Functional Control over such Participant Service Territory Improvements to the Company and agrees that Schedule A hereof shall be amended to include such Participant Service Territory Improvements into the list of Transmission Assets over which it has granted the Company Functional Control. In the event such Service Territory Participant declines to construct, make or pay for such Participant Service Territory Improvements or fails to respond to such request within thirty (30) days, the Company shall prepare a budget for each such request (each such budget being, a "Participant Service Territory Improvements Budget") and shall request that each Member, Debt Holder and such Service Territory Participant fund such Participant Service Territory Improvements Budget as follows: (i) such Service Territory Participant shall have the opportunity to fund its Asset Value Percentage of such Participant Service Territory Improvements Budget, and (ii) each of the Members and Debt Holders (excluding such Service Territory Participant should it be a Member or Debt Holder) shall be requested to fund that portion of the Participant Service Territory Improvements Budget not requested to be funded under clause (i) in proportion to the ratio of its Investment Percentage over the aggregate Investment Percentages of all the Members and Debt Holders (excluding such Service Territory Participant should it be a Member or Debt Holder). Each Member, Debt Holder and such Service Territory Participant shall be requested to respond to each such Participant Service Territory Improvements request within thirty (30) days of issuance by the Company of such request. Any Member, Debt Holder or Service Territory Participant failing to respond within thirty (30) days to any such request shall be deemed to have declined to fund its portion of such

Participant Service Territory Improvements Budget. In the event that a Member, Debt Holder or Service Territory Participant declines or is deemed to have declined to fund its portion of a Participant Service Territory Improvements Budget, each other Member and Debt Holder (but not any other Participant) shall have the right to fund, in proportion to the ratio of its Investment Percentage to the aggregate Investment Percentages of all Members and Debt Holders who desire to fund, such portion of the Participant Service Territory Improvements Budget. If the Participant Service Territory Improvements Budget is still not fully funded, notwithstanding the preceding sentence, the Managing Member may obtain equity or debt financing from third parties, including without limitation through debt offerings by the Company or equity or debt offerings by the Managing Member. Each Member or Participant eligible to become a Member shall receive a credit to its Capital Account for any funds provided by it to the Company pursuant to this Section 3.7. Each Debt Holder or Participant eligible to become a Debt Holder shall be deemed to have made an advance under a Convertible Note in an amount equal to the funds provided by it to the Company pursuant to this Section 3.7. Any Participant Service Territory Improvements not exclusively constructed, made or paid for by such Service Territory Participant pursuant to the second sentence of this Section 3.7 shall be owned and controlled by the Company even if such Service Territory Participant provides funding to the Company for such improvements or additions pursuant to a Capital Contribution or advance under a Convertible Note in accordance with this Section 3.7; provided, however, that in the event the Participant Service Territory Improvements are intermingled with such Service Territory Participant's Transmission Assets to the extent that ownership of such Service Territory Participant's Transmission Assets and such Participant Service Territory Improvements would be difficult or not feasible to distinguish in the sole opinion of the Company, then legal title of such Service Territory Improvements will be held by Service Territory Participant and such Service Territory Participant shall execute a note whereby such Service Territory Participant shall be obligated to repay to the Company the total amount of the Service Territory Improvements Budget related to such Service Territory Improvements.

3.8 *Other Cash Contributions and Advances under Convertible Notes.*

(a) With the consent and approval of the Managing Member on a case-by-case basis, a Member or Participant eligible to become a Member may make a cash Capital Contribution to the Company and receive a corresponding credit to its Capital Account in amounts and at times agreed between the Managing Member and such Member or Participant eligible to become a Member.

(b) With the consent and approval of the Managing Member on a case-by-case basis, the Company may allow a Debt Holder or other Public Power Participant to make a cash advance under a Convertible Note, in an amount and at times agreed between the Managing Member and such Debt Holder or other Public Power Participant.

ARTICLE 4

Other Duties and Responsibilities of the Company

4.1 *The Company's Satisfaction of Legal Obligations.* The Company shall retain the right to take whatever actions it reasonably deems necessary to fulfill its obligations under local, state, tribal or federal law or regulations, or agency directives. The Company will

not be required to violate the terms of any court order or decree. For purposes of this section, a local or state law, regulation or agency directive shall not include a local or state law, regulation or agency directive sought by the Company through an administrative filing or legislative activities that would conflict with or nullify a previously issued or pending amendment to this Transmission Management Agreement. To the extent the Company seeks to amend any provision of this Transmission Management Agreement, the Company shall follow the procedures set forth in Section 7.9.

4.2 *The Company's Duties and Obligations With Respect to Transmission Assets.* The Company shall (i) exercise Functional Control over each Participant's Transmission Assets in a manner consistent with Good Utility Practice; (ii) direct the operation, maintenance and planning of each Participant's Transmission Assets in order to maximize the efficiency and the value of such assets; (iii) direct the operation, maintenance and planning of all Transmission Assets without adverse distinction based on ownership; and (iv) perform all of its other duties and obligations under this Agreement (and any other applicable Company Documents) as well as those required under the applicable RTO Agreements and RTO Tariff.

4.3 *Transmission Business Permits.* The Company shall not take any action in its exercise of Functional Control that shall invalidate, violate or otherwise render invalid the Participant's Transmission Business Permits necessary for the Company to exercise Functional Control over the Transmission Assets of the Participant.

ARTICLE 5

Other Duties and Responsibilities of Participant

5.1 *The Participant's Satisfaction of Legal Obligations.* The Participant shall retain the right to take whatever actions it reasonably deems necessary to fulfill its obligations or preserve its rights under local, state, tribal or federal law or regulations, or agency directives. The Participant will not be required to violate the terms of any court order or decree. For purposes of this section, a local or state law, regulation or agency directive shall not include a local or state law, regulation or agency directive enacted by the Participant that would conflict with or nullify a previously issued or pending amendment to this Transmission Management Agreement. To the extent the Participant seeks to amend any provision of this Transmission Management Agreement, the Participant shall follow the procedures set forth in Section 7.9.

5.2 *Representations; Covenants.*

(a) Subject to obtaining the necessary regulatory approvals and satisfaction of any applicable Conditions Precedent, the Participant hereby represents and warrants that the execution, delivery and performance of this Agreement shall not (i) conflict with or result in any breach of any provision of the certificates of, or articles of, incorporation or bylaws of any Party, and (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any Transmission Business Contract or Transmission Business Permit to which the Participant is a party, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained.

(b) The Participant shall maintain and/or obtain any and all Transmission Business Permits necessary for the Company to exercise Functional Control over the Transmission Assets transferred by the Participant under this Agreement.

(c) The Participant shall maintain, in full force and effect, its insurance policies currently in effect that provide coverage with respect to its transferred Transmission Assets or obtain replacement policies with similar terms and conditions.

(d) The Participant shall cause any and all of its Affiliates, that are involved in the operation of the Transmission Assets or have any rights, title or interest in the Transmission Assets in all respects material to the performance of Functional Control by the Company to execute a counterpart to this Agreement.

(e) The Participant shall retain access to its Transmission Assets as necessary or appropriate without interference from any other party and the Company shall have access to the Participant's Transmission Assets as reasonably necessary to enable the Company to exercise Functional Control over the Participant's Transmission Assets.

5.3 Operation, Repair, Maintenance and Replacement of Transmission Assets.

(a) The Participant shall not take any measures or perform any operation which would prevent or otherwise impair the ability of the Company from performing its duties and obligations under this Agreement.

(b) Amounts expended by the Participant in carrying out activities under this Section 5.3 shall not be considered Capital Contributions to the Company.

5.4 Effect of Restructuring. Nothing in this Transmission Management Agreement shall restrict any rights, to the extent such rights exist of the Participant if it is a party to a merger, acquisition or other restructuring transaction to make a filing from the appropriate regulatory entities for approval. Any withdrawal from this Agreement will be governed by Section 6.2. If the Participant elects not to withdraw from this Agreement, the Parties will execute an amendment to this Agreement within thirty (30) days upon notification of the grant of such regulatory approval(s) which demonstrates that it has assigned or transferred its obligations under this Agreement as set forth in Section 7.15.

5.5 Existing Contracts. If the Participant has existing contracts, the Participant may be required to execute an agreement to suspend the provisions of its Pre-Existing Transmission Agreements or other similar agreements with the applicable RTO. To the extent that any outstanding pre-existing agreements are retained by the Participant, the Participant may remain the principal obligor under such agreement, or the Participant may assign such control to the Company, if permitted pursuant to the terms of such agreement, and if the Company agrees to such assignment and the assumption of such obligations.

5.6 Compliance with RTO Tariff. The Participant shall comply with those provisions of the applicable RTO Tariff and amendments thereto that are germane to its performance under this Agreement. The Parties recognize that the applicable RTO Tariff will govern many of the functions and activities of the Company in the exercise of its operational

authority, maintenance authority and management authority and performance of its duties and responsibilities over the Transmission Assets under its control, and that many of the functions assigned to the Company under this Agreement may in turn be assigned to the applicable RTO.

5.7 Encumbrances. Except as may be required by law or by a contract in existence prior to the Company's Operations Date or in existence prior to the Company Operations Date or in existence when the Participant transferred Functional Control of its Transmission Assets, the Participant shall not create any new Encumbrance or extend the term of an existing Encumbrance over any Transmission Assets under the control of the Company without the Company's prior written consent. The Company shall give its consent to the creation and extension of an Encumbrance if: (i) the Participant has provided thirty (30) days notice to the Company; (ii) the Company concludes that the new or extended Encumbrance would not materially reduce the Company's duties and obligations over the Transmission Assets under its control, and (iii) the Encumbrance would not reduce the reliability or functions performed by the applicable RTO.

ARTICLE 6

Term; Withdrawal and Termination

6.1 Term.

(a) This Transmission Management Agreement shall remain in full force and effect for fifteen (15) years from the date the Participant and the Company duly execute this Transmission Management Agreement unless terminated earlier in accordance herewith.

(b) If this Transmission Management Agreement is not terminated in accordance herewith, subject to any amendments to this Transmission Management Agreement, the Transmission Management Agreement will automatically be extended for an additional fifteen (15) year term, subject to the withdrawal and termination provisions set forth in Section 6.2.

6.2 Withdrawal and Termination.

(a) Withdrawal by Notice. The Participant may withdraw from this Transmission Management Agreement on two years prior written notice to the Company. This Agreement will be terminated at the later of (i) the expiration of the two-year written notice period; or (ii) the date the withdrawing party obtains all necessary approvals for such withdrawal.

(b) Withdrawal by Sale or Restructuring. The Participant may withdraw from this Agreement upon six (6) months written notice if it sells or otherwise disposes of all of its Transmission Assets to a non-affiliated entity. This Agreement will be terminated at the later of (i) the expiration of the six month notice period; or (ii) the date the withdrawing party obtains all necessary approvals for such withdrawal.

(c) Withdrawal to Join Another Organization. The Participant may withdraw from this Agreement upon six (6) months written notice if it withdraws from this

Agreement to join another transmission organization which is approved by FERC. This Agreement will be terminated at the later of (i) the expiration of the six month notice period; or (ii) the date the Participant obtains all necessary approvals for such withdrawal.

(d) *Withdrawal Because of Adverse Order.* The Participant may withdraw from this Agreement following thirty (30) days written notice to the Company if a governmental authority, or any department or agency thereof, in an order that has become final and non-appealable, requires a change in this Agreement that the Participant determines has a material adverse impact on the Participant. This Agreement will be terminated with respect to the Participant at the later of (i) the expiration of the thirty (30) days written notice period; or (ii) the date the withdrawing party obtains all necessary regulatory approvals for such withdrawal.

(e) *Withdrawal Due to Material Default.* In the event of a material default under this Agreement by the Company, the Participant may withdraw from this Agreement by giving written notice thereof (including a statement of the basis of the Participant's determination) to the Company provided that (i) the Company shall have ninety (90) days from receipt of such notice to cure the default; (ii) the Company can require Alternative Dispute Resolution before the default notice becomes effective by notifying the Participant no later than thirty (30) days prior to the expiration of the ninety (90) day period referred to in (i) above; and (ii) such default notice shall not be effective until the later of completion of Alternative Dispute Resolution or the date on which FERC has accepted the Participant's notice to terminate this Agreement. The Parties to this Agreement shall make a good faith effort to cooperate in the event of a withdrawal to minimize any adverse impacts on any Party to this Agreement and on the Company's ability to meet its duties and responsibilities under this Agreement and under the applicable RTO Agreements and RTO Tariff.

(f) *Termination Due to Failure of Conditions Precedent.* The Participant may terminate this Transmission Management Agreement if all conditions specified in Section 1.3 have not been satisfied within two (2) years after the this Agreement is duly executed and the Participant obtains all necessary regulatory approvals to withdraw from this Agreement.

(g) *Publication of Withdrawal or Termination Notices.* The Company shall inform the Participant of all notices of withdrawal or termination received under this Section 6.2. Additionally, the Company shall make all conforming changes to any applicable documents or request that such changes be made, as necessary, to reflect any withdrawal made in accordance with the terms of this Agreement.

(h) *Refiling of Rates.* Except as provided in Section 6.2(i), withdrawal from this Agreement or termination of this Agreement by the Participant requires the withdrawing or terminating Participant to refile its rates with all applicable regulatory agencies which are consistent with the rate design established under the applicable RTO. Additionally, the Participant will request an effective date for its rate filing as of the termination date of this Agreement.

(i) *Divestiture of Transmission Assets.* If the Participant seeks to divest all of its Transmission Assets to the Company after executing this Agreement, the Participant

shall notify the Company in writing. This Agreement will be terminated upon divestiture. If only a portion of the Participant's Transmission Assets will be divested, the Participant and the Company will amend this Agreement duly executed by the Parties. Termination under this Section 6.2(i) shall not trigger the rate refiling requirement under Section 6.2(h), and shall not limit any rights the Company may have to make a rate filing.

6.3 Termination by the Company.

(a) Prior to the Company Operations Date. If the Company fails to obtain the necessary regulatory approvals, or is unable to commence operations for any reason that cannot be reasonably resolved, the Company may terminate this Agreement by providing sixty (60) days written notice to the Participant.

(b) The Company Operations Date. No transfer of Functional Control or other authority to the Company shall occur prior to the Operations Date.

(c) Termination After the Company Operations Date. If the Participant's actions would materially impede the Company's ability to fulfill its obligations as an Independent Transmission Company or impede its obligations as a transmission owning member of an applicable RTO, the Company may terminate this Agreement.

(d) Termination for Material Default by Participant. In the event of a material default under this Agreement by the Participant, the Company may terminate this Agreement by giving notice thereof (including a statement of the basis of the Company's determination) to the Participant and providing such notice to the Participant provided that (i) the Participant shall have thirty (30) days from receipt of such notice to cure the default; (ii) the Participant can require Alternative Dispute Resolution before the default notice becomes effective by notifying the Company no later than ten (10) days prior to the expiration of the thirty (30) day period referred to in (i) above; and (iii) such default notice shall not be effective until the later of completion of Alternative Dispute Resolution or the date on which FERC has accepted the Company's notice to terminate this Agreement as to the Participant. The Parties to this Agreement shall make a good faith effort to cooperate in the event of a withdrawal to minimize any adverse impacts on any Party to this Agreement and on the Company's ability to meet its duties and responsibilities under this Agreement and under the applicable RTO Agreements and RTO Tariff.

(e) Termination due to Conflicting Interests. If the Participant's actions would (i) materially impede the Participant's ability to fulfill its obligations pursuant to this Agreement or under any other applicable Company Documents) or (ii) prevent the Company from complying with its duties and obligations, the Company may initiate proceedings to terminate this Agreement. If the Company preliminarily concludes that this Agreement should be terminated under such circumstances, the Company shall provide written notice to the Participant and review the circumstances of the Participant's compliance with this Agreement. Following such review, if the Company concludes that continued participation by the Participant is not in the best interests of the Company, taking into account any benefits to the Company of continued participation by the Participant, the Company shall provide interested parties forty-five (45) days to provide written comments of its intention to terminate this Agreement. Following

such forty-five (45) day period, the Company may terminate this Agreement upon providing sixty (60) days' notice to FERC. The Participant shall have no further obligations to the Company if its Agreement is terminated pursuant to this Section 6.3(e), except that, the Parties will make a good faith effort to cooperate in the event of a withdrawal to minimize any adverse impacts on any Party to this Agreement and on the Company's ability to meet its duties and responsibilities under this Agreement and under any applicable RTO Agreements and RTO Tariff.

ARTICLE 7

General Provisions

7.1 Liability and Indemnification. The liability and indemnification provisions will be set forth in Schedule D to this Transmission Management Agreement which will adopt and be in conformance with the liability and indemnification provisions established by the applicable RTO, as may be amended from time to time.

7.2 Waivers. Any waiver at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not (i) constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement or (ii) constitute a waiver with respect to the rights of any other Party. Any delay, short of the statutory period of limitations, in asserting or enforcing any right, shall not constitute or be deemed a waiver of such right.

7.3 Confidentiality.

(a) The Company shall maintain the confidentiality of all of the documents, data, and information provided to it by the Participant that are treated as confidential or commercially sensitive provided, however, that the Company shall not keep confidential: (1) information that is explicitly subject to data exchange with the applicable RTO; (2) information that the Company or the Participant providing the information is required to disclose pursuant to this Transmission Management Agreement, the applicable RTO Agreements and RTO Tariff, any other Company Documents, or applicable regulatory requirements (provided that the Company shall comply with any applicable limits on such disclosure); (3) composite documents, data, and other information, if the composite document does not disclose any individual Participant's confidential data or information; and (4) the information becomes available to the public on a non-confidential basis (other than as a result of the Company's breach of this Transmission Management Agreement or the applicable RTO Agreements or RTO Tariff).

(b) The Participant shall not, at any time, directly or through others, use, disclose, publish or otherwise disseminate any and all confidential information of the Company or that of other Participant discovered, developed, or known by the Participant as a consequence of their respective ownership of, employment by or relationship with the Company, including information entrusted to the Company by others, and any proprietary rights, inventions or tangible unpatented proprietary rights of the Company.

7.4 Disclosure. Notwithstanding anything in Section 7.3(a) to the contrary, if the Company is required by applicable laws or regulations, or by an order or subpoena from a

court or regulatory authority having jurisdiction as to the subject matter to disclose information that is otherwise required to be maintained in confidence pursuant to Section 7.3(a) or as requested by an arbitrator or arbitrators in a dispute resolution process, the Company may disclose such information; provided, however, that as soon as the Company learns of the disclosure requirement or request and prior to making such disclosure, the Company shall notify the affected Party or Parties of the requirement and the terms thereof and shall seek to obtain an appropriate protective order from the court, regulatory authority or arbitrator. The affected Party or Parties may, at their sole discretion and own costs, direct any challenge to or defense against the disclosure requirement and the Company shall cooperate with such affected party or parties to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law. The Company shall cooperate with the affected Party or Parties to obtain proprietary or confidential treatment of confidential information by the person to whom such information is disclosed prior to any such disclosure, including by use of confidentiality agreements, requests for in camera review, or similar protections.

7.5 *No Third Party Beneficiaries.* This Agreement is made solely for the benefit of the Parties hereto and their successors and permitted assigns and no other Person shall have any rights, interest, or claims hereunder or otherwise be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

7.6 *Relationship of the Parties.* The covenants, obligations, rights, and liabilities of the Parties under this Agreement are intended to be several and not joint or collective, and nothing contained herein shall ever be construed to create an association, joint venture, trust, or partnership, or to impose a trust or partnership covenant, obligation, or liability on, or with regard to, any of the Parties. Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement. No Party shall be under the control of or shall be deemed to control any other Party due to the terms and conditions of this Agreement. No Party shall be the agent of or have the right or power to bind any other Party without its written consent, except as expressly provided for in this Agreement.

7.7 *Preservation of Obligations.* Upon termination of this Transmission Management Agreement, all unsatisfied obligations of each Party shall be preserved until satisfied.

7.8 *Construction of Agreement.*

(a) Ambiguities or uncertainties in the wording of this Transmission Management Agreement shall not be construed for or against either Party, but shall be construed in a manner that most accurately reflects the purpose of this Transmission Management Agreement and the nature of the rights and obligations of the Parties with respect to the matter being construed.

(b) As used in this Agreement, words in any gender shall be deemed to include all other genders. The singular shall be deemed to include the plural and vice versa. The captions and article and section headings in this Agreement are inserted for convenience of reference only and are not intended to have significance for the interpretation of or construction of the provisions of this Agreement.

7.9 Amendments and Regulatory Filings. This Transmission Management Agreement may not be modified by either Party except by subsequent mutual written agreement, duly executed by the Parties.

7.10 Notice to Other Participants. The Company shall notify each of the Participants of the Company's intention to amend any of the Transmission Management Agreements. The Company shall provide each Participant with such notice a complete copy of such amendment.

7.11 Objection by Participant. By notice to the Company, delivered within thirty (30) days of receipt of the Company's notice specified in Section 7.10, the Participant may object to such amendment, but only on the following grounds: (i) that the Company's compliance with the requirements of such amendment will violate the terms of this Agreement or (ii) that such amendment may impair rights granted under this Agreement.

7.12 Arbitration. Any dispute or controversy as may arise out of or relating to this Agreement, including any question regarding its existence, validity or construction shall be resolved in accordance with the Alternative Dispute Resolution set forth in Schedule C hereto.

7.13 Governing Law. This Transmission Management Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principals of conflicts of law.

7.14 Uncontrollable Force. A Party shall not be breach of this Agreement as a result of such Party's failure to perform its obligations under this Agreement when such failure is caused by an Uncontrollable Force that such Party, despite the exercise of due diligence, is unable to remove with reasonable dispatch; provided, however, that such Party shall have the right to suspend performance of such obligations only to the extent and for the duration that the Uncontrollable Force actually and reasonably prevents the performance of such obligations by such Party. In the event of the occurrence of an Uncontrollable Force that prevents a party from performing any of its obligations under this Agreement, such Party shall (i) immediately notify the other Party of such Uncontrollable Force with such notice to be confirmed in writing as soon as reasonable practicable; (ii) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform and resume full performance of its obligations hereunder; (iii) keep the other Party apprised of such efforts on an ongoing basis; and (iv) provide written notice of the resumption of performance hereunder. Notwithstanding any of the foregoing, the settlement of any strike, lockout or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the Party to this Agreement involved in such strike, lockout or labor dispute; and the requirement that a Party must use its best efforts to remedy the cause of the Uncontrollable Force and/or mitigate it effects and resume full performance hereunder shall not apply to strikes, lockouts or labor disputes.

7.15 Assignment and Conveyances. The Participant may not assign or transfer its obligations under this Transmission Management Agreement except, pursuant to a corporate reorganization through a merger, acquisition or other restructuring transaction or pursuant to a state or federal court order, to the entity that acquires all or substantially all of its predecessor's Transmission Assets. The Company may not assign or transfer its obligations under this

Agreement except to the extent a security assignment is made in connection with the financing of any real or personal property to be acquired by or paid for by it in the performance of its duties.

7.16 Severability. If any provisions of this Agreement is held to be invalid or unenforceable for any reason, such provision shall be ineffective to the extent of such invalidity or unenforceability; provided, however, that the remaining provisions will continue in full force without being impaired or invalidated in any way unless such invalid or unenforceable provision or clause shall be so significant as to materially affect the Parties' expectations regarding this Agreement. Otherwise, the Parties hereto agree to replace any invalid or unenforceable provision with a valid provision which most closely approximates the intent and economic effect of the invalid or unenforceable provision.

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement as of the date first written above.

TRANSCONNECT, LLC

By: _____
Name:
Title:

[PARTICIPANT]

By: _____
Name:
Title:

SCHEDULE A

PARTICIPANT'S TRANSMISSION ASSETS

SCHEDULE B

**AGREEMENT REGARDING ALLOCATION ISSUES
BETWEEN PARTICIPANT AND
TRANSCONNECT LLC**

SCHEDULE C

ALTERNATIVE DISPUTE RESOLUTION PROCESS

1. Definitions. Capitalized term used but not defined in this Schedule shall have the meaning ascribed to such terms in the Transmission Management Agreement.

2. Dispute Resolution.

2.1 Preconditions to Arbitration.

2.1.1 Informal Settlement. The parties shall make all reasonable efforts to settle all disputes governed by this Schedule. In the event any such dispute is not settled, either party may request in writing that the Company appoint an impartial facilitator to aid the parties in reaching a mutually acceptable resolution to the dispute; such appointment shall be made within 10 days of receipt of the request. The facilitator and representatives of the parties with authority to settle the dispute shall meet within 21 days after the facilitator has been appointed to attempt to negotiate a resolution of the dispute. Settlement offers shall not be admissible in any subsequent dispute resolution process. With the consent of all parties, resolution may include referring the matter to a technical body for resolution or for an advisory opinion.

2.1.2 Impasse. If the parties have not succeeded in negotiating a resolution of the dispute within thirty (30) days after first meeting with the facilitator or if the facilitator is not appointed within 10 days pursuant to Section 2.1.1 of this Schedule, unless otherwise agreed, the parties shall be deemed to be at an impasse and any such disputing party may commence the arbitration process provided hereunder by notice to the other party.

2.1.3 Statements of Dispute. Within 14 days of a party's request that the arbitration process be commenced, each party shall submit a statement in writing to the other party, which statement shall set forth in reasonable detail the nature of the dispute, the issues to be arbitrated, and the proposed arbitrator's award sought through such arbitration proceedings. To the extent parties do not agree on the terms of a required contract provision, each submittal shall include proposed contract language for those issues in dispute.

2.1.4 Selection of an Arbitrator. Within 10 days following the submission of their statements, the parties shall select an arbitrator familiar with and knowledgeable about the policies and criteria used in the Company's or the parties business, transmission systems and regulatory requirements. If the parties cannot agree upon an arbitrator, the parties shall take turns striking names from a list of 10 qualified individuals supplied by the Arbitration Committee of the Western Regional Transmission Association, or any successor organization (the "WRTA") from the list maintained by the WRTA Board, with a party chosen by lot first striking a name. The last-remaining name not stricken shall be designated as the arbitrator. If that individual is unable or unwilling to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected who is able and willing to

serve. Absent the express written consent of all parties as to any particular individual, no person shall be eligible for selection as an arbitrator who is a past or present officer, member of the governing body, employee of or consultant to any of the parties, or of an entity related to or affiliated with any of the parties, or whose interests are otherwise affected by the matter to be arbitrated. Any individual designated as an arbitrator shall make known to the parties any such disqualifying relationship and a new arbitrator shall be designated in accordance with the provisions of this Section 2.1.4.

2.1.5 Procedural Rules. The arbitrator shall determine discovery procedures, intervention rights, how evidence shall be taken, what written submittals may be made, and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution of the dispute. Intervenors shall have the same procedural rights as parties to the dispute. Each party to the dispute shall produce all evidence determined by the arbitrator to be relevant to the issues presented. To the extent such evidence involves commercially sensitive or confidential information, the arbitrator shall issue an appropriate protective order which shall be complied with by all parties to the dispute. The arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

2.1.6 Intervention. The arbitrator shall admit as intervenors in the dispute resolution process any Person that requests intervention and demonstrates to the arbitrator good cause for intervention. Absent the agreement to the contrary of all parties, no Person shall be permitted to intervene unless, as a condition of its intervention, it agrees to be bound by the provisions of this Schedule in regard to the arbitration, including the provisions related to deference on appeal to the FERC set forth in Section 2.5 of this Schedule.

2.1.7 Evidence. The arbitrator shall take evidence submitted by the disputing parties in accordance with procedures established by the arbitrator and may request additional information, including the opinion of recognized technical bodies. All disputing parties shall be afforded a reasonable opportunity to rebut any such additional information. Other affected entities may request in writing that the arbitrator consider additional information and the arbitrator may consider such additional information, subject to a right of the parties to have a reasonable opportunity to rebut such additional information.

2.2 Substantive Standards and Decision. As soon as practicable but in no event later than 115 days of his or her selection as arbitrator, the arbitrator shall select, by written notice to the parties, the proposed award of a party, or intervenor which best meets the terms and intent of this Agreement, of any provisions of the RTO Tariffs not inconsistent with this Agreement, other applicable agreements, laws, or regulations, or applicable technical standards and criteria not inconsistent with this Agreement and any other policies or determinations by the arbitrator not inconsistent with this Agreement; provided, however, if the arbitrator concludes that no proposed award is consistent with the applicable considerations or that no proposed award addresses all issues in dispute, the arbitrator shall specify how each proposed award is deficient and request that the disputing parties submit new proposed awards that cure the deficiency perceived by the arbitrator. A written decision, including specific findings of fact, explaining the basis for the award shall be provided by the arbitrator with the written notice to the parties. Awards shall be

based only on the evidence on the record before the arbitrator. No award that is not appealed shall be deemed to be precedential in any other arbitration related to a different dispute.

2.3 Compliance and Costs.

2.3.1 Compliance With the Arbitrator's Award. Immediately upon the decision by the arbitrator, except during the period of appeal as provided for in Section 2.4 of this Schedule, the parties shall commence to take, and thereafter diligently prosecute to completion, whatever action is required to comply with the selected award to the extent the selected award does not require regulatory action. To the extent the award requires local, state, federal, provincial or tribal approval or regulatory action, FERC review of an award involving a federal power marketing agency, or a FERC filing by a transmission provider subject to Sections 205 or 206 of the Federal Power Act (the "FPA"), the affected party or intervenor shall promptly submit and support that portion of the award with the appropriate authority except as provided in Section 2.4 or Section 2.5 of this Schedule. Any and all costs associated with the arbitration (but not including the parties' costs associated with attorney and witness fees) shall be borne by the party or parties whose proposed award was not selected, unless the parties agree to an alternate method of allocating costs, or unless the arbitrator determines it would be appropriate to allocate all or a portion of such costs to one or more intervenors.

2.4 FERC Appeal.

2.4.1 Grounds for Appeal. Within thirty (30) days of the issuance of any arbitration award, any party to an arbitration may apply to the FERC to hear an appeal of such award with respect to matters to which the FERC has jurisdiction, but only upon the grounds that the award is contrary to or beyond the scope of this Agreement or is unjust, unreasonable, unduly discriminatory or preferential or otherwise inconsistent with the FPA or the FERC's then applicable standards or policies. Any appeal to the FERC shall be based solely upon the record assembled by the arbitrator; provided, however, that any order by an arbitrator excluding material from the arbitration record or any ruling which is alleged to violate due process may be explicitly appealed to the FERC by a party as a part of an appeal under this Section 2.4. Parties to arbitrations intend that: (i) the FERC should afford substantial deference to the factual findings of the arbitrator; (ii) the portion, if any, of the award relating to issues not of first impression (i.e., matters previously decided by the FERC or a court of competent jurisdiction in cases involving comparable facts and circumstances) should be afforded appropriate deference by the FERC; and (iii) the portion, if any, of the award relating to issues of first impression should be afforded no deference by the FERC. Implementation of the award shall be stayed pending an appeal to the FERC unless and until, at the request of a disputing party, the FERC issues an order shortening or extending the stay.

2.4.2 No Expansion of Factual Record. No party to an arbitration shall seek to expand the factual record before the FERC beyond that offered to the arbitrator, except that any party to an arbitration may submit such additional evidence or argument as may be needed to respond to new evidence or arguments raised by intervenors before the FERC who were not parties to the arbitration.

2.5 Judicial Review. Subject to the right of any party to appeal to and exhaustion of remedies at the FERC, as provided in Section 2.4 of this Schedule, any party shall be entitled to seek enforcement of the award in any court of competent jurisdiction. Except for appeals of any decision by the FERC, judicial challenges to an award under this Schedule shall be limited to the grounds specified in the Federal Arbitration Act, Title 9.

SCHEDULE D

LIABILITY AND INDEMNIFICATION PROVISIONS